

October 1999

LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL

STRATEGIC PLAN
(Fiscal Years 2001-2005)

This Strategic Plan of the Legal Services Corporation (LSC) Office of Inspector General (OIG) covers fiscal years (FY) 2001-2005 and will be updated each year as the performance plan for the next fiscal year is created.

Strategic planning aims to identify missions and goals, and to develop priorities and strategies to accomplish missions and goals within limited resources. Strategic planning is a cyclical process that assesses performance and reconsiders operational methods and work plans in order to obtain desired results in a changing environment.

The purpose of this plan is to define the future direction of OIG activities. It sets forth the OIG mission, the assessments that determine OIG priorities, strategies for accomplishing its goals, and associated resources. The strategic plan is a means to ensure that resources remain focused on the most important issues and to guide future resource decisions.

Missions

The statutory mission of the Legal Services Corporation is to provide “financial support for legal assistance in non-criminal proceedings or matters to persons financially unable to afford legal assistance.” Controlling statutes also require that LSC choose grantees to provide such legal assistance to the poor through a process of competitive bidding, ensure grantee compliance with applicable laws and implementing regulations and guidelines, and evaluate grantees to ensure maintenance of high quality service. LSC has an implied mission to make the most efficient and effective use of its taxpayer-provided resources in the delivery of legal assistance to eligible persons.

The missions of the LSC OIG are: to prevent and detect fraud, waste, and abuse; and to promote economy, efficiency, and effectiveness in the operations administered or funded by the Corporation. The LSC OIG is unique in that it also has an explicit statutory role in monitoring grantee compliance with laws and regulations. The LSC appropriation act placed a significant additional responsibility with the OIG – overseeing the monitoring of grantee compliance with congressional restrictions via annual audits of grantees by independent public accountants. This approach replaced the prior system of on-site checks by LSC management.

Customers

The Inspector General Act establishes a unique status for IGs in that they report to both the entity head and to the Congress. The primary customers of the LSC OIG are the LSC Board of Directors and Congress. LSC management and staff, grantees, and those who receive legal services with appropriated funds are also customers. Those who pay the taxes that fund these services are the ultimate customers.

Environment

The environment in which LSC operates can have a material effect on its ability to accomplish its mission in an efficient and effective manner with minimal fraud and abuse.

General

The impact of the information technology revolution, or Knowledge Revolution as it is known, may be greater than that of the Industrial and Agricultural Revolutions. These revolutions share important characteristics: order-of-magnitude increases in quantity and quality of production with relatively minor investment of resources; the elimination of lower-order jobs and tasks and the creation of higher-order jobs and tasks; a reduction in the physical component of jobs and tasks and a corresponding increase in the mental component. The most important impact is the creation of enormous economic opportunities and a significant increase in the standard of living for all.

The Internet is the most visible example and the widespread proliferation of Internet applications has already resulted in vast changes to the way organizations conduct their business. **This technology offers LSC the means to increase the number of poor persons served from approximately one million to six million – with relatively small financial investments.** In the past, legal services advocates have estimated that billions of dollars would be required to serve all of those eligible. This unique opportunity derives from the near zero marginal costs of software applications—once the application is fielded, the cost of using it repetitively is almost nothing.

Federal Government

The last ten years have witnessed an increased emphasis on accountability for the use of public funds. This emphasis has not been limited to the safeguarding of resources from loss, but has extended to accountability to the public for the effectiveness of government programs as well.

Congress expanded coverage of the Inspector General Act to the small agencies known as designated federal entities. It also passed the Chief Financial Officers Act and the Government Performance and Results Act to improve financial and performance accountability in government. The latter statute requires government agencies to develop multi-year strategic plans, and to submit performance plans with their budget requests, along with a performance report on the previous year's results in terms of that year's plan.

Agencies now have the burden of demonstrating results from prior appropriations as they request more resources, and the agencies that are able to do so convincingly are likely to receive greater support for their funding requests.

The federal government has employed information technology applications for many purposes. According to the Comptroller General of the United States, "Today's information systems offer the government unprecedented opportunities to provide higher quality services, tailored to the public's changing needs, delivered more effectively, faster, and at lower cost." Countless examples of highly successful and innovative service delivery by federal agencies confirm that statement.

Legal Services Corporation

Recent appropriations statutes imposed new restrictions and prohibitions on the legal services LSC grantees may provide and to whom the services may be provided. The appropriations acts also required that grants be awarded competitively, thus ending the long-standing and statutory "presumptive refunding."

The principal strategic challenge faced by LSC was stated clearly by the Board Chairman: "The main issue remains how to provide meaningful access to justice when we are faced with needs that far exceed available resources." The quote refers to the widely held belief that only 20 percent of eligible persons with legal needs are served, due to insufficient funding.

At the same time, OIG audits have revealed serious inaccuracies in the 1997 and 1998 caseload data submitted by grantees. These errors are significant for several reasons. First, the data is the basis for LSC's basic performance measure: the number of persons served. Some members of Congress have said that they rely on this data in deciding LSC's annual appropriation. Last, LSC management needs accurate and comprehensive information with which to evaluate the cost-effectiveness of each grantee's operations. An oversight hearing in September 1999 was devoted to the problem, and the House Appropriations Committee has requested the OIG to provide an assessment of the accuracy and reliability of the 1999 caseload data submitted by grantees.

Vision and Goals

The LSC OIG vision is to serve its clients as constructive critic, helpful advisor, and positive change agent. While maintaining our independence, we intend to work in a cooperative fashion with others involved in the federal legal services program.

Our aim is to deter those who would defraud or abuse, and failing that, cause them to be held accountable for their misconduct. Similarly, we aim to make a material contribution to program efficiency and effectiveness -- to make a positive difference in the delivery of legal services to the poor.

The OIG is an oversight organization and accomplishes its missions principally through audits, investigations, and other fact-finding and reporting activities. OIG mission effectiveness is achieved by:

- Focusing OIG activities on the right issues at the right time **(goal: relevance)**;
- Performing the work credibly **(goal: credibility)**; and
- Reporting the results of our work in a manner that achieves maximum impact and encourages expeditious action **(goal: communication)**.

We believe that these broad goals, if accomplished, represent the best performance possible by an OIG. Our performance plan presents an array of performance measures and indicators for these goals, which apply to all OIG missions.

Although the OIG cannot control the decisions and actions of program management, and thereby their results, program results are nevertheless an indicator of the OIG's ultimate effectiveness. Our program goals for FY2005 are:

Compliance

- a. Zero reported violations of practice restrictions and prohibitions by independent public accountants in annual grantee audits;
- b. All independent public accountants conducted effective checks of grantee compliance in annual grantee audits; and,
- c. Zero violations by grantees of requirements for separation from organizations that engage in activities restricted or prohibited by statute or LSC regulation.

Fraud

- a. Zero cases of fraud/theft from client trust funds;
- b. Zero cases of grant funds fraud/theft exceeding \$100,000; and
- c. Zero incidents of fraud/theft of management and administration funds exceeding \$1,000.

Efficiency and Effectiveness

Past OIG plans included a goal expressed in terms of the number of eligible persons served and the related costs. However, audits of case statistical reporting have disclosed that the reported data are inaccurate. Consequently, at this time the OIG does not have accurate baseline data and cannot express goals in those terms. The goal, therefore, is for LSC to collect accurate and reliable information sufficient to determine the cost effectiveness of individual grantee and delivery system performance.

Risk Assessment

The goal of relevance, as applied to fraud, waste and abuse, traditionally has been achieved through an assessment of the risks present in an entity's operations and environment. However, the same approach can be applied to determining the most compelling issues for OIG focus in compliance oversight and program economy, efficiency, and effectiveness.

The term *risks* is used to describe both the exposure of public assets to loss or abuse, and the potential that LSC operations might not be performed as efficiently and effectively as possible. Elements to be considered in assessing risks are potential risk conditions, the likelihood of each risk occurring, and the effects if a potential risk is realized. The assessments below of the levels of risk are the product of the experiences and perspectives of the OIG.

Compliance with Restrictions

The principal risk of abuse associated with LSC grantees is that of noncompliance with the restrictions, prohibitions, and other requirements imposed by Congress. The independent public accountants who conduct the annual audits of LSC grantees have reported no violations of practice restrictions in the past two years. The OIG conducted 60 Audit Service Reviews of these independent accountants' compliance checks, and determined that the oversight system is working effectively. Nevertheless, the extent to which grantees comply with these restrictions and prohibitions is of great interest to the LSC Board of Directors and management and the Congress, and as such qualifies as a significant risk. (*risk: high*)

Fraud and Waste

The overall risk of fraud within LSC itself is considered low. Ninety-seven percent of the funds appropriated are disbursed to grantees, and prior OIG audit work determined that the disbursement process was free of material levels of fraud. The remaining funds are largely allocated to LSC payroll costs, but procurement activities have more exposure to potential fraud and waste within LSC. *(risk: medium)*

LSC recently implemented a new accounting system, a change that could have a pervasive effect on the financial statements and operations of the Corporation. *(risk: high)*

The overall risk of fraud associated with LSC grantees is considered low. Grantees are required to submit an annual financial statement audit conducted in accordance with guidance issued by the OIG. Only one loss exceeding \$100,000 has been experienced in a seven-year period during which over a billion dollars was awarded in grants, and the overall rate of reported losses has been very low. However, the independent public accountants conducting the annual audits of LSC grantees have reported numerous internal control weaknesses, which serves to increase the exposure to risks. *(risk: low)*

Client trust funds are vulnerable. Clients often pay in cash, do not receive periodic reconciliation statements, and are not likely to question what they are told. Although the amounts are very small in federal terms, they are not insignificant to those least able to afford such a loss. Previous OIG experience includes trust funds borrowed to meet grantee payroll, trust funds lost through failure to safeguard adequately, and one instance in which we believe a grantee employee systematically preyed upon the grantee's clients. *(risk: medium)*

With the advent of competition in the grant award process—and the possibility that the population of grantees will change over time—LSC must be diligent in safeguarding grantee investments that were funded by the federal government, especially real property in which LSC retains a reversionary interest. *(risk: high)*

Economy, Efficiency, and Effectiveness

The Corporation does not have accurate and reliable information with which to evaluate the performance of individual grantees or of the delivery system. OIG audits of 1997 and 1998 case statistical data disclosed significant inaccuracies. Just as important, LSC currently does not collect information on all cases or services provided by grantees, which means the Corporation is unable to evaluate the cost-effectiveness of grantee operations, an implied responsibility of federal grant management. *(risk: high)*

Competition for grants presents an opportunity for LSC to bring about greater efficiency and effectiveness in the delivery of legal services. At the same time, with 97 percent of LSC funds distributed to grantees through the competitive process, the relative newness and complexity of the process for awarding grants, and the clear congressional interest in the process, competition for grants constitutes an area of significant risk. (*risk: high*)

Information resource management is a high risk in many agencies and a relatively new function at the Corporation. The Corporation may not have in place effective practices and procedures for the management of information resources. (*risk: medium*)

LSC's grantees have undertaken a number of information technology initiatives in recent years, notably the addition of telephone helplines. The OIG reported in 1996 that helplines and other technologies would further improve the performance of grantees by enabling greater numbers of eligible individuals to receive services. Two technologies, kiosks and Internet sites, offer the greatest promise for delivering legal services to millions of additional people. However, grantee managers have limited experience in developing information systems and managing investments in information technology, and LSC management provides limited leadership in this area. (*risk: high*)

Although LSC is not required to comply with the Government Performance and Results Act (GPRA) of 1993, the Act provides a salient framework for establishing, monitoring, and reporting the outputs, outcomes, and impacts of programs funded by the federal government. As LSC transitions from activity-based planning to results-oriented planning, there are inherent risks. LSC needs a strategic plan and annual performance plans to efficiently and effectively allocate resources and to accomplish its mission. (*risk: high*)

By regulation, LSC requires grantees to devote an amount equal to 12.5 percent of their LSC grants to private attorney involvement efforts. According to LSC's 1998 fact book, private attorneys closed 219,549 cases or about 15 percent of the total cases closed. Although private attorney involvement is based on voluntary *pro bono* services to eligible clients, private attorneys may be contracted by grantees to provide services for individual cases or certain categories of cases or to act as co-counsel in certain cases. Private attorneys may be involved in other ways, including receiving referrals from the grantee. The range of activities in which private attorneys may be involved and the potentially complex transfer of funds and in-kind *pro bono* services create various risks. (*risk: medium*)

STRATEGIES

The foregoing risk assessment is the first step in achieving the broad goal of relevance. Achieving relevance also requires that OIG resources be applied in a rational manner consistent with that assessment -- that is, in accordance with a strategy based on the risk assessment. Our risk-based strategies to accomplish our missions appear below.

Compliance with Restrictions

Our **strategy** for the prevention and detection of grantee noncompliance is to maintain the Audit Guide and Compliance Supplement, which guide the audit work of the Independent Public Accountants, and to review the grantee audit reports submitted by the Independent Public Accountants. We will refer audit findings to LSC management for follow up, and track the progress of corrective action. We also will conduct audit service reviews of auditor work papers to ensure that compliance checks were accomplished effectively. We also will conduct on-site checks of grantees' compliance with restrictions and associated requirements. Last, we will audit grantees' compliance with the program integrity requirements for separation from other organizations that engage in activities restricted or prohibited by statute or LSC regulation.

Fraud and Waste

In general, the risk assessment leads us to place much less emphasis on the fraud component of our mission as compared to compliance oversight or efficiency and effectiveness of the legal services delivery system.

Our **strategy** to prevent and detect fraud in grant funds begins with effective annual financial statement audits to help deter major embezzlements,¹ normally the only way that significant sums can be misappropriated from LSC grants. When deterrence fails, effective financial statement audits limit future losses by detecting and reporting the loss. We will conduct inspections of client trust funds, the most frequent source of losses. In addition to conducting investigations into reported losses, we will monitor investigations conducted by state and local law enforcement and professional disciplinary authorities, operate a HOTLINE to facilitate reporting of fraud and abuse, and publish fraud alerts periodically to report losses and convictions to grantees and their staffs, and to provide advice where applicable.

¹ Financial statement audits are not designed to detect fraud. However, embezzlement of significant amounts should be detected because the loss would be material to the accuracy of the financial statements being audited.

Our **strategy** to prevent and detect fraud within LSC itself is to continue to oversee the annual financial statement audit of the Corporation, and to conduct periodic reviews of other expenses. We also will review the new LSC financial system when it is fully implemented.

Efficiency and Effectiveness

The efficiency and effectiveness of the legal services delivery system funded by LSC grants is the bottom line of this federal program.

Good management requires good information and our **strategy** is to bring about significant improvement to the information collected by the Corporation. We have begun by reviewing the guidance issued to grantees, and by conducting audits of Case Statistical Report data submitted by grantees. Those audits have revealed significant problems with the accuracy and reliability of the grantees' reports to the Corporation. LSC management has issued a revision of its guidance to grantees on Case Statistical Reports. The OIG will continue examining Case Statistical Reporting until the reports are accurate and reliable, and, equally important, sufficient to permit evaluation of grantees' cost-effectiveness.

We also will review various aspects of the service delivery system, such as the effectiveness of competition and the use of private attorneys.

We believe that the delivery of legal services could be expanded to millions of additional poor people with relatively minor investments in information technology. The OIG will conduct evaluations of new applications, consult with management on potential applications, and promote the delivery of legal services via the Internet and kiosks. Eventually, the OIG will audit the Corporation's progress in implementing this technology and its effect on program efficiency.

Activities for Achieving Goals Fiscal Years 2001-2005

The following is a list of LSC OIG activities and projects, ordered by their character as mandatory or discretionary. Most mandatory activities are ongoing and have first claim on OIG resources. Activities considered mandatory are those required by statutes, by applicable standards, and by LSC processes; those tasks implied by the above; and such basic executive functions as supervision and resource management. Only those activities requiring significant resources are displayed.

Other activities are discretionary and can claim resources remaining after mandatory responsibilities are fulfilled. All discretionary projects are intended to address the statutory missions of overseeing compliance, minimizing fraud, waste, and abuse or promoting economy, efficiency, and effectiveness.

Mandatory Activities

Auditing Functions

- Review grantee financial statement audit reports.
- Conduct audit service reviews of grantee audits.
- Manage grantee audit follow up process.
- Maintain Audit Guide and Compliance Supplement.
- Contract for and oversee audit of LSC financial statements.
- Conduct and receive peer reviews as assigned by Executive Council on Integrity and Efficiency.

Investigative Functions

- Investigate instances of fraud, waste, and abuse; and report results to appropriate authorities.
- Refer evidence of crimes to prosecutors.
- Receive and investigate complaints or information from employees.

Legal Review Functions

- Review and comment on proposed and existing regulations and legislation.
- Review and coordinate FOIA requests for OIG documents.
- Suspend or debar Independent Public Accountants from auditing LSC grantees.

Executive Functions

- Submit the OIG Semiannual Report to Congress.
- Administer and manage OIG human, financial, and information resources.
- Conduct strategic planning as described in the Government Performance and Results Act.
 - Update OIG strategic plan each year.
 - Prepare an OIG performance plan.
 - Prepare an OIG performance report.
 - Complete continuing professional education requirements.

Programmed Activities Fiscal Years 2001-2005

The activities planned for the Office of Inspector General for fiscal years 2001-2005 are displayed below. The activities are scheduled in priority sequence based on the assessed risk and affordability in a given fiscal year.

Fiscal Year 2001

ALL MANDATORY ACTIVITIES.

DISCRETIONARY PROJECTS:

- Conduct audits of grantees' compliance with requirements for separation from organizations that engage in prohibited activities.
- Conduct Audit Service Reviews of auditor compliance checks.
- Conduct Client Trust Fund Inspections.
- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.
- Evaluate information technology applications to legal services delivery.
- Evaluate the effects of competition on the legal services program.
- Consult, as requested, on topics of interest to the LSC Board or management.

Fiscal Year 2002

ALL MANDATORY ACTIVITIES.

DISCRETIONARY PROJECTS:

- Conduct audits of grantees' compliance with requirements for separation from organizations that engage in prohibited activities.
- Conduct Audit Service Reviews of auditor compliance checks.
- Conduct Client Trust Fund Inspections.
- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.
- Evaluate information technology applications to legal services delivery.

- Evaluate private attorney involvement with respect to the delivery of legal services.
- Consult, as requested, on topics of interest to the LSC Board or management.

Fiscal Year 2003

ALL MANDATORY ACTIVITIES.

DISCRETIONARY PROJECTS:

- Conduct audits of grantee compliance with laws and regulations.
- Conduct Audit Service Reviews of auditor compliance checks.
- Review the LSC financial accounting system.
- Review controls over federal assets held by recipients of expiring grants.
- Conduct Client Trust Fund Inspections.
- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.
- Assess grantee satisfaction with contacts with the OIG.
- Evaluate information technology applications to legal services delivery.
- Consult, as requested, on topics of interest to the LSC Board or management.

Fiscal Year 2004

ALL MANDATORY ACTIVITIES.

DISCRETIONARY PROJECTS:

- Conduct audits of grantee compliance with laws and regulations.
- Conduct Audit Service Reviews of auditor compliance checks.
- Review management of information resources.
- Conduct Client Trust Fund Inspections.
- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.
- Evaluate information technology applications to legal services delivery.
- Consult, as requested, on topics of interest to the LSC Board or management.

Fiscal Year 2005

ALL MANDATORY ACTIVITIES.

DISCRETIONARY PROJECTS:

- Conduct audits of grantee compliance with laws and regulations.
- Conduct Audit Service Reviews of auditor compliance checks.
- Conduct audit of the Corporation's use of consultants.
- Conduct Client Trust Fund Inspections.
- Operate the fraud and abuse HOTLINE.
- Publish fraud alerts as appropriate.
- Monitor criminal cases investigated by other organizations.
- Review progress in implementing information technology solutions to delivery of legal services.
- Consult, as requested, on topics of interest to the LSC Board or management.